

CAPE COD TIMES

Priming the pump for small business

03/22/11 · 2:41 pm :: posted by **editor** [ShareThis](#)

Jump-starting the small business engine of Massachusetts
\$100 million of state deposits offered to local banks for loans

Special to CapeCodToday.com By Steven Grossman,
Treasurer and Receiver General, Commonwealth of Massachusetts

Small businesses are the engine of Massachusetts' economic growth, but like any engine, they need fuel to run. In the business world that fuel is capital – often in the form of bank loans, which have been difficult for some small businesses to obtain during the recession and its accompanying credit crunch.

I am, therefore, extremely pleased to be able to announce that just a few weeks after taking office, I officially launched the Treasury's Small Business Banking Partnership that will move at least \$100 million of state deposits, properly secured and at competitive interest rates, into Massachusetts banks to help them make more loans to creditworthy small businesses.

We have invited the 200 banks authorized to accept state deposits, including those on Cape Cape and the Islands.

We have invited the 200 banks authorized to accept state deposits, including those on Cape Cape and the Islands, to participate in the program and expect the first deposits to be made in April or May.

We also have been meeting with bankers and elected officials across the state to discuss the program, and have scheduled an April 25 meeting on the Cape that will be hosted by Sen. Dan Wolf of Harwich.

According to state data, small businesses and sole proprietorships make up 85% of businesses in our Commonwealth. Experts say that historically two-thirds of the new jobs created in the Commonwealth come from small businesses. Clearly, a strong small business sector is critical to our recovery from the great recession and to Massachusetts' economic future.

That's especially true for the Cape and Islands, where the unique nature of its economy places a heavy burden on small businesses that depend on bank loans.

Small business people across the state have told us that they are prepared to grow and create jobs if only they can get the capital that need. We have listened and responded.

Local banks need to have sufficient capital to make small business loans, and this program will help provide it.

Our program is not intended to be a cure-all. It is rather a carefully considered effort to use the powers of the Treasury to manage state cash deposits to reinforce other small business initiatives by the state and federal governments in the last few months. Washington has expanded the Small Business Administration's loan guarantee program while Massachusetts enacted a small business package last year reorganizing the various state agencies that support start-up enterprises.

The Treasury's Small Business Banking Partnership is intended to fill one gap in those programs: the need for standard bank loans to growing companies, loans that do not have to be guaranteed or subsidized. Banks need to have sufficient capital to make loans, and this program will help provide it.

There's no one-size-fits-all solution for small businesses or for banks.

Some businesses are good candidates for bank loans and will benefit from the increased availability of credit provided by the Partnership program. Others will need the added guarantees of SBA or the seed funding from state development agencies in order to get the funding they require.

Similarly, some banks have told us that to meet loan demand in their areas they need capital provided through the Partnership program. That's where we will see the most immediate impact. Other institutions say they currently have sufficient cash but not enough qualified loan applicants to expand their small business loan pool. However, many bankers in this category told us they expect demand to pick up as the economy grows and will participate in our program to prepare for their anticipated capital needs.

One of the important elements of the Small Business Banking Partnership is that it will help the economy without costing the taxpayers anything. The money we are shifting is money the state already intends to place on deposit, and we are insisting that Partnership banks offer us competitive interest rates and fully secure the funds. The program simply takes money that might otherwise have gone to multinational financial institutions and bring it back home to Massachusetts where it can help Massachusetts grow.

I promised that as Treasurer I would use the full potential of the office to help create jobs and protect the public's money. With the Treasury's Small Business Banking Partnership, we have taken an important step to do both.

Steve Grossman is Treasurer and Receiver-General of Massachusetts. He is the former President of Grossman Marketing Group, a family-owned marketing company based in Somerville, Massachusetts. From 1992 to 1997, he was the chair of the American Israel Public Affairs Committee and from 1997 to 1999, he was the chair of the Democratic National Committee.